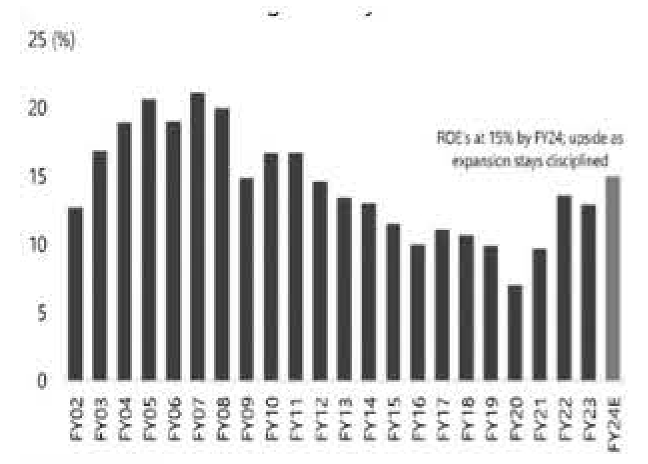
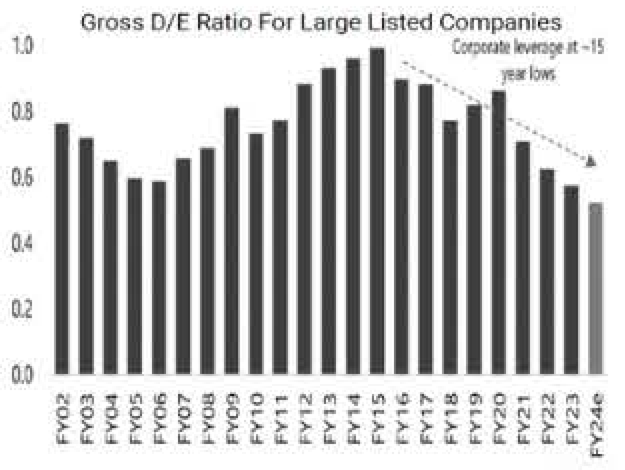
Indian Economy

- IMF has raised India's FY'24 GDP projection to 7.8%, higher than the Indian government's projection.
- High-frequency economic indicators are showing the growth & resilience of the Indian economy. Services PMI is at 60.8 for April. Showing strong expansion. Total sales and output are among the strongest in 14 years. Manufacturing PMI at 58.8 is also showing strong expansion and is the second highest since 2021.
- GST collections have hit a record high of Rs 2.1 Lac Cr. E-way bills are at a historical high.
- Q4 FY'24 results are in line with expectations. Overall corporate balance sheets are improving. Return on equity (ROE) is steadily improving and Leverage is at a 15-year low.





- India's Defence Exports have crossed Rs 21,000 Cr in FY'24. A growth of 32% over the previous year. This is one of the focus areas for the government to boost manufacturing.
- Inflation has touched a 10-month low of 4.85%. And Skymet has projected a normal monsoon.

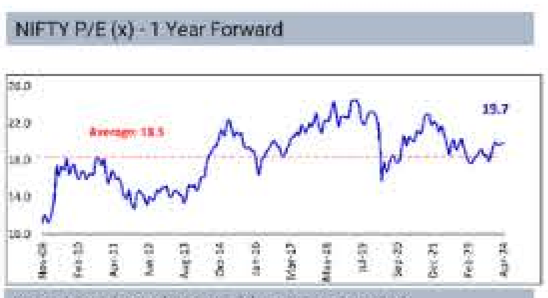
Global Economy

- Crude oil prices have corrected ~43% from peak in Mar'22.
- Global food costs are at a 2-year low, but the decline is taking time to reach consumers as transportation and labour costs remain high.
- Commodity prices are trending upwards. Zinc, Copper, Tin, Iron ore, etc are all up.
- Oil is near USD 87 per Barrel. Excess capacity created globally is expected to keep a cap on prices.
- In the US, labour markets are tight and inflation holding steady. Thus, FED has held off reducing interest rates. Consumer confidence is at its lowest level since 2022 and commercial real estate is in a slump.
- In China, bank bad loans are at the highest level and the country's fiscal deficit is touching 7% of GDP.
- Globally inflation is trending downwards and many central bankers have cut rates.

Outlook

Equity

- Of the approx. 22 Nifty companies that have declared results so far 19 have achieved sales as per projection and 10 have achieved Profit after Tax ahead of projection. Earnings are expected to remain robust going forward. Consensus expects 18% EPS growth CAGR for Nifty over FY'23- FY'26.
- Equity valuations are presently higher than historical averages. More so in the case of Mid and Small-cap stocks. Large-cap valuations are close to historical averages. Over the years Nifty composition has changed (higher Pvt ownership, higher domestic ownership more B2C companies), and discounting for this, valuations are fair.



Valuation	
Largecap	6% premium to historical average
Midcap	29% premium to historical average
Smallcap	38% premium to historical average

- The market cap to GDP ratio is at an all-time high. Thus going forward any negative news can lead to correction. Markets can be affected by election results varying from broad expectations, delayed interest rate cuts, and global recession/ economic outlook.

Debt

- Inflation at 4.85% is lower than expected. On the back of higher-than-expected GDP growth, RBI is not expected to cut rates in a hurry.
- US inflation has been above expectation and the FED has held rates steady. Interest rates are expected to be higher for longer in the US.
- Surpluses for 3-12 months can be parked in arbitrage funds which continue to generate healthy, tax-efficient returns. Longer-term debt exposure can be taken through conservative hybrid offerings for tax efficiency.
- Tactical allocation with 18-24 months' view to long duration and dynamic debt funds can be taken for attractive returns arising from capital gains on any yield correction during this time frame.